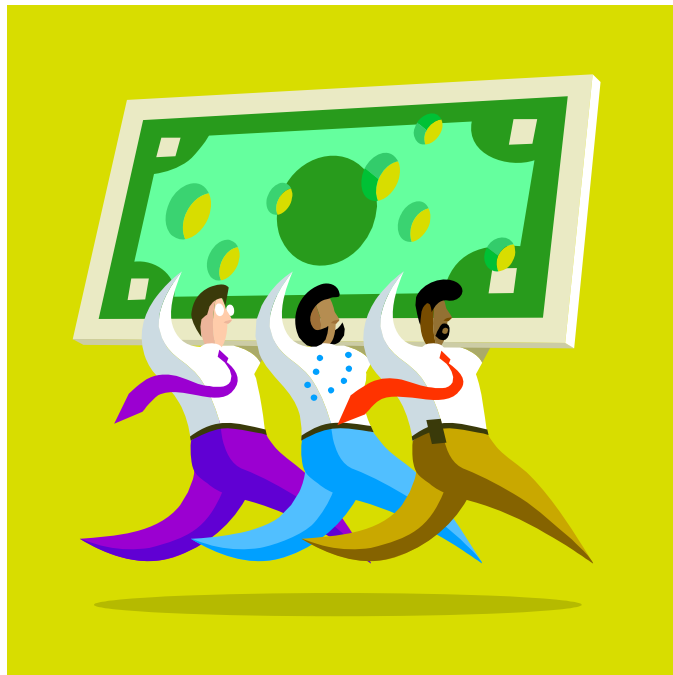


RCCI CASH AND FINANCIAL REQUIREMENTS



CHAPTER 15

RCCI CASH AND FINANCIAL REQUIREMENTS

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CASH AND FINANCIAL REQUIREMENTS

This chapter discusses how the Child Nutrition Programs (CNP) accounts are required to comply with generally accepted accounting standards, including the annual budgeting process. However, there are certain provisions of the Child Nutrition Programs that differ from other funds, programs, and accounts. This section outlines these requirements.

IDAHO SDE Website – Statistics & Finance Tab

Idaho State Department of Education CNP has a website section called Statistics & Finance. To find this section go to: <http://www.sde.idaho.gov/child/> and click the “Statistics & Finance picture”. You will find the following financial tools plus more information.

- Evaluating Financial Status
 - ❑ Financial Tips
 - ❑ Three Month Operating Information
 - Operating Balance Form
 - Operating Balance Letter
 - ❑ Adult Meal Pricing
 - ❑ State Match
- School District Financials

Special Provisions

Special provisions that should be considered when budgeting for the CNP include the following:

- All revenues received by or accruing to the CNP account must be used only for the operation and improvement of the foodservice program. Revenues include, but are not limited to, receipts from:
 - ❑ child and adult meals;
 - ❑ earnings on investments;
 - ❑ other local revenues; and
 - ❑ federal and state reimbursement received by or accruing to the CNP account.
- The CNP account funds may not be used for expenditures that are not directly related to the CNP operation although they may be part of the district's general fund. Any positive balance remaining in the CNP account at the end of the school year must be carried over to the next school year as a beginning balance in the CNP account.
- Earnings on investments (interest) from CNP funds, must accrue to the CNP account and be used only for authorized program purposes.

- To maintain the nonprofit status of the National School Lunch and Child Nutrition Programs, the fund balance or net cash resources of the CNP account should not exceed three month's average expenditures. The sponsor will be contacted by the SDE/ CNP if an excess balance occurs and must respond with a plan to spend their excess funds. An excess balance could be reduced by improving the quality of food served, reducing the prices of meals served to children, or purchasing needed supplies, service or equipment. This plan can only be used for allowable costs approved by USDA.

Three-Month Operating Balance

To determine if an excessive balance exists, complete the following calculations:

- 1) Total Net Cash Resources minus Annual Expenditure = Annual Balance

Example: $\$1,000,000 - \$900,000 = \$100,000$

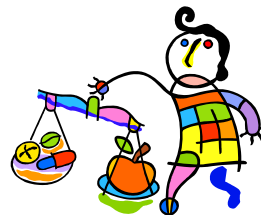
- 2) Divide annual expenditures by 12 to get average monthly expenditures.

Example: $\$900,000 \text{ divided by } 12 = \$75,000$

- 3) Multiply average monthly expenditures by 3 to get the maximum operating balance allowed.

Example: $\$75,000 \times 3 = \$225,000$

In the example above, the sponsor's annual operating balance is \$100,000 which is less than a 3 month operating balance of \$225,000. Therefore, no excess balance exists.



Reimbursement Rates

Reimbursement rates can be found on the Child Nutrition Programs Website at <http://www.sde.idaho.gov/child/> choose NSLP, then reimbursement rates at the top left of the page.



Especially Needy Lunch

The Especially Needy Rate is based on the percent of free and reduced-price lunches served 2 years prior to the current year. The free and reduced lunches served must be equal to or greater than 60% of the total lunches served that year. If a sponsor meets the 60% requirement an additional \$.02 is reimbursed for all lunches claimed by that sponsor. The eligibility for the Especially Needy Rate is by district and is determined by the state agency based on the claims submitted during the appropriate year by district. Notification will be sent to sponsors that qualify for the Especially Needy Rate at the beginning of each fiscal year.

Student Meal Pricing

At RCCIs students who are not residents may be charged for meals. Program regulations require that each lunch and breakfast be priced as a unit. In addition, regulations state that Offer versus Serve provision is not to affect the selling price for a lunch or breakfast established by the sponsor. Students who are residents of the RCCI receive meals free of charge.

- Meals for All - Free and reduced price recipients must be able to choose any meal offered with no additional charge.
- Fees for Lunch Services - Children must not be charged any additional fees for supervisory or other services provided in conjunction with the meal programs.

Adult Meal Pricing



Following you will find an explanation and recommendation for the calculation of adult meal prices in your National School Lunch and National School Breakfast programs.

The regulations state, "In no case should the funds collected for adult meals be less than the actual cost of providing the meals."

The benefits of the National School Lunch and Breakfast Programs are for children only. According to federal guidelines: "no reimbursement or commodities are provided for meals served to adults." USDA has developed the following method for determining the minimum prices charged for adult meals. **If you do not intend to charge these prices, the lost revenue cannot be recouped from child payments or reimbursement.**

In calculating the minimum adult meal price, add the rate of federal reimbursement for a free student lunch and the per meal value of USDA commodity assistance rate. Apply the current rate of sales tax to the subtotal.

LUNCH

Free Reimbursement Rate*
+ Commodity Rate
= Sub total
+ Sales tax on the sub total
= Price of Adult Lunch

BREAKFAST

Free Reimbursement Rate**
+ sales tax
= Price of Adult Breakfast

This would cover the costs of your program, including per meal cost for commodities and sales tax.

* If your district receives “Especially Needy Lunch,” the calculated rate for your district must be added to the adult lunch price.

** If your district receives “Severe Need Breakfast” rates, the calculated rate for your district must be added to the adult breakfast price.

Food Service Employees

Meals served to cafeteria employees **directly involved** in the operation and administration of the breakfast and lunch program (managers, cooks, servers, etc.) may be served at no charge and considered as a fringe benefit attributable to program costs. Therefore, the cost of such meals may be paid from program funds. Charging food service employees for meals is left to the discretion of the sponsor.



Other Sponsor Employees

If meals are included as a fringe benefit or offered as part of the salary arrangement for non-food service personnel, the sponsor must provide enough money from non-school food service funds to the food service fund to pay the cost of these adult meals.

Adult Visitors

The charge to adult visitors, at the discretion of the sponsor, may be higher than the charge paid by adult employees.

State Match- If you are a State program.



NOTE: THERE HAVE BEEN RECENT REVISIONS TO THE STATE MATCH.

Senate bill no. 1379 passed in 2006 amended language of 33-1015 that required school districts to contribute both the FICA and PERSI amounts for all school lunch personnel from the district's general funds.

The amendment to 33-1015 is said to prevent "over-matching" by school districts. They do not have to contribute, by law, both FICA and PERSI from their general fund account toward the match. **They only have to contribute, by law, the FICA (Social Security) payment toward the local match.**

The implementation date was July 1, 2006.

"Federal law requires the State of Idaho to make these payments in order to continue to participate in the National School Lunch Program. These monies are provided to participating school districts exclusively for use in CN operations and must be deposited in their CN accounts."

- Must be the FICA costs for their food services workers.
- Foundation Payments 88 accounting system needs to show either these costs were moved to the general fund or costs were paid directly out of the general fund.
- Public School Finance 88 should be able to see those actual expenditures in general fund or the transfer of the original expenditures to general fund on their financials.
- **USDA Regulation – 2 ways this can be accomplished (State match at the sub-recipient level)**

1. Benefits are paid directly from the General Fund.

Fund 100 (General Fund), Expenditure Program Code 710 (Child Nutrition Program), Object Code 200 (Benefits).

2. Benefits are paid from the Child Nutrition Fund, with matching monies transferred in from the General Fund.

Fund 290 (Child Nutrition), Revenue Code 460000 (Transfers In)
Fund 100 (General Fund), Expenditure Code 920 (Transfers Out)

Indirect Costs

Allowable indirect costs are based on total expenses for the **current** year minus food and milk, capital outlay, and prior indirect cost paid on a previous year. This figure is then multiplied by the **State approved indirect cost rate** for the district. Most are around 2%. Since RCCIs do not go through SDE, they will go through their **cognoscente** agency.

Staffing Guidelines for On-Site Production

NUMBER OF EQUIVALENTS* (1)	MEALS PER LABOR HOUR (MPLH)/TOTAL HOURS			
	CONVENTIONAL SYSTEM**		CONVENIENCE SYSTEM***	
	MPLH (2)	Total Hours (3)	MPLH (4)	Total Hours (5)
Up to 100	8	9-12	9	9-11
101-150	9	12-16	10	11-14
151-200	10-11	16-17	12	14-16
201-250	12	17-20	14	16-18
251-300	13	20-22	15	18-20
301-400	14	22-29	16	20-25
401-500	14	29-35	18	25-28
501-600	15	35-40	18	28-34
601-700	16	40-43	19	34-37
701-800	17	43-47	20	37-40
800+	18	47+	21+	40+

* Meal equivalents include breakfast and a la carte sales. Three breakfasts equate to two lunches. À la carte sales equal to the free reimbursement rate plus the USDA commodity value plus sales tax equate to one lunch.

** The conventional system is preparation of food from raw ingredients on the premises (using some bakery bread and prepared pizza and washing dishes).

*** The convenience system is using the maximum amount of processed foods (for example, using all bakery breads, pre-fried chicken, and proportioned condiments, and using disposable dishes).

Adapted from: Pannell, School Foodservice Management Van Nostrand Reinhold, 1990 and NFSMI Financial Management Information System 2005.

Tips for Running a Financially Sound Program

- The food service standard is 40% for food/paper/cleaning supplies, 40% for labor/benefits, and 20% for other expenses. **This is of expected revenue.** Expenses by category can exceed the standard percentage, but should not exceed 100% of revenue.
- Visit other sponsors for ideas on menus and cost containment. This includes sponsors with food service management companies.
- Project your annual labor and benefits costs based on the hours worked by each employee and their benefit costs. Project food and supplies at 40% of revenue and compare to current year expenses. Other costs include capital equipment, mileage, repairs, actual cost basis utilities, and indirect cost.



If Expenses are Greater than Revenue, You Can:

- Decrease the cost of food and supplies by bidding individually or joining a local food purchasing co-op with school districts. Keep inventory at a minimum to allow your money to earn interest in the bank. Use all the USDA commodities available to your district.
- Eliminate seconds, decrease leftovers and monitor portion control by using standardized serving utensils. Implement Offer vs. Serve to reduce waste.
- Decrease labor hours and benefits if needed. See Staffing Guidelines on 15.6 for guidance on meals per labor hour.
- Check budget spreadsheets to see that FICA for food service employees was paid by the sponsor's General Fund as required by Idaho Code 33-1015.
- Be sure interest on school lunch funds accrues to the school lunch account.
- Use the following breakdown as a guide for budgeting
 - ❑ Labor & benefits – 40% of revenue
 - ❑ Food cost – 40% of revenue
 - ❑ Other cost – 20% of revenue
- Manage by Menu Planning
 - ❑ Cost out menus
 - ❑ Menus determine costs for labor including production, serving and cleanup
 - ❑ Track student participation for likes & dislikes
 - ❑ Use commodities whenever possible
 - ❑ Maintain portion control & use standardized recipes
 - ❑ Purchase by bid or request for prices and verify invoicing at the bid price
 - ❑ Serve GOOD food with eye appeal

- Labor Cost
 - ❑ How do you fund pay raises?
 - ❑ Plan on 3-4% per year
 - ❑ Reimbursement rate increases
 - ❑ Plan on 1-2% per year
 - ❑ Hire part-time & reduce benefits
 - ❑ Are meals per man-hour at optimum level?
 - ❑ Strive for work simplification – Share ideas
 - ❑ Reduce excessive break time
- Meal Pricing
 - ❑ Costs increase
 - 3-4% each year minimum
 - ❑ Reimbursement increase
 - 2% each year is not enough to offset labor and food increases

Use of Funds

The food service program must be “nonprofit”. Revenue received by the school food service is to be used only for the operation or improvement of the food service program.

Allowable Expenditures

Allowable expenditures include the following:

- **Advertising** for the recruitment of USDA personnel, for the solicitation of bids for the procurement of goods and services required, and for the disposal of scrap or surplus materials.
- **Attorney’s fees under certain conditions.** Consult the state office when the question arises concerning the USDA programs.
- **Automotive equipment** used for Child Nutrition department purposes (i.e., transporting food, employees).
- **Recognition of CNP employee achievements as long as:**
 - ❑ the activity is a part of the sponsor’s established practice,
 - ❑ it is reasonable and necessary, and
 - ❑ it is consistent with regulations, policies and procedures that apply uniformly to both federally assisted and other activities of the district (be consistent with the use of local funds).
- **Food purchases** and costs directly related to the storage, handling, processing and transportation of food to run the USDA programs. All food purchased for program meals must be domestic commodities or products according to the Buy American Provision. All Child Nutrition funds (including federal reimbursement) must support the Buy American Provision.
- **Labor**, which includes payments for labor and other services directly related to operating the Child Nutrition Programs. This may include a portion of the salaries of janitorial, maintenance workers, secretarial, and finance staff but only for service actually performed for the CNP operation (must be prorated).
- **Memberships, subscriptions, professional publications, and audiovisual equipment** used to benefit CNP.

- **Nonexpendable items**, generally classified as movable property, and used directly in preparing, storing, or serving resident meals. This includes ranges, refrigerators, freezers, steam tables, mixers, storage cabinets, garbage containers, tables, chairs, hot water heaters, portable fans and other equipment. This category may include such items as charges for installing equipment and connecting to utilities in the building in which the program is operated, as well as service for maintenance and repair of equipment.
- **Office equipment** — Computers, printers, fax machines, cash registers, adding machines, and other office equipment used exclusively for the CNP operation.
- **Other supplies and expendable equipment** used directly in the operation of CNP. This includes items that must be replaced from time to time, such as pots and pans, serving trays, dishes, glassware, silverware, linen, mops, brooms, cleaning supplies, etc.
- **Printing and reproduction equipment** or services for CNP services only.
- **Promotional** materials for exhibits relating specifically to the CNP program, and for advisory councils related to parental and student involvement.
- **Rental of non-district owned food storage facilities or equipment** as required for CNP.
- **Services**, such as pest control, trash removal, security and janitorial.
- **Travel** for CNP business such as workshops, conferences and training programs.
- **Utilities**, when accounted for separately (actual costs) or prorated to charge only the portion used by CNP. The best prorated method is using separate meters; the next best is survey by utility company; otherwise, use a reasonable method (square foot percent, for kitchen and dining areas)

Unallowable Expenditures

- **Cafeteria monitors** — CNP funds may not be used to pay salaries for monitoring. However, CNP personnel may have monitoring duties assigned to them as part of their other CNP responsibilities.
- **Contributions and donations**
- **Entertainment**, amusements, social activities, gratuities and related activities.
- **Foods of minimal nutritional value** for sale either in or outside the food service area.
- **Interest on loans.**
- **Personal membership** in civic, professional, technical, and business organizations (an agency or district membership is allowable). The expenditure may not be for membership in an organization that devotes a substantial part of its activities to lobbying and influencing legislation.
- No **land purchases, acquisitions or construction of buildings**
- No **passenger automobiles**
- Using **CNP owned copiers or printers** for non CNP purposes unless costs are allocated.
- Child Nutrition funds cannot be loaned to other departments
- **School district** cannot lease buildings and space to Child Nutrition or charge rent, etc.
- **Rent** or usage fees for district-owned facilities such as cafeterias, kitchens or storage facilities.

Criminal Penalties Associated with Mishandling of Funds

This statement regarding fraud is from National School Lunch Program Regulations.

“Whoever embezzles, willfully misapplies, steals or obtains by fraud any funds, assets or property provided under the National School Lunch Program and/or School Breakfast Program whether received directly or indirectly, shall if such funds, assets or property are of a value of \$100 or more, be fined no more than \$25,000 or imprisoned not more than 5 years or both; or if such funds, assets or property are of a value of less than \$100, be fined not more than \$1,000 or imprisoned not more than 1 year or both. Whoever receives, conceals or retains for personal use or gain, funds, assets or property provided under the National School Lunch Program and School Breakfast Program, whether received directly or indirectly, knowing such funds, assets or property have been embezzled, willfully misapplied, stolen or obtained by fraud, shall be subject to the same penalties.”

Summary

Use your monthly district printouts and reports to familiarize yourself with accrual accounting entries. If you have a question, call us or ask your district business official for help. **Food service management personnel should continue to reconcile the food service accounts monthly and review all transactions for proper coding and payment procedures.** Bank accounts should be reconciled monthly to the district office accounting records.

Questions and Answers

- (1) Which meals do I have to pay sales tax on and do I have to pay sales tax on adult exchange meals?

ANSWER:

You must pay sales tax on all non-reimbursable meals such as adult meals and a la carte. You do not have to pay sales tax on adult exchange meals.

- (2) How does my program qualify for the “especially needy” rate?

ANSWER:

Your program is entitled to the extra 2¢ in addition to the basic rate for each lunch served if 60% or more of the children’s’ lunches served district wide in the second preceding year were either free or reduced. The State Agency will notify your program if you qualify.

- (3) If there is a teacher that helps monitor in the cafeteria on Monday and Friday can they receive a free meal on these days?

ANSWER:

Yes, as long as the teacher has a direct responsibility with the NSLP (National School Lunch Program) they can have a free meal on the days monitoring.

- (4) Can we claim the adult meals?

ANSWER:

No, adult meals are never to be claimed; only student first meals can be claimed for reimbursement.

- (5) If I have a question about the State Match at my organization, who should I talk to?

ANSWER:

Typically the business manager is the employee that deals with State Match; however at your specific site they might have a different title. The individual that does the financing is usually the person that deals with this task.

- (6) What is a meal equivalent when comparing lunch to breakfast, snack and a la carte?

ANSWER:

Meal equivalents are the following:

- Three breakfast equate to two lunch
- Three snacks equate to one lunch